December 15, 2016

Re: Deutsche Bank KOSPI Matter – Waiver Request under Rule 405

Dear Mr. Henseler:

We submit this letter on behalf of our client, Deutsche Bank Aktiengesellschaft ("Deutsche Bank AG"), in connection with the conviction (the "Conviction") of Deutsche Securities Korea Co. ("DSK"), a subsidiary of Deutsche Bank AG, in the courts of South Korea as described below. DSK was convicted of a violation of the Korean Financial Investment Services and Capital Markets Act ("FSCMA") on January 25, 2016 in the Seoul Central District Court (the "Seoul Court").

Pursuant to Rule 405 promulgated under the Securities Act of 1933, as amended (the "Securities Act"), Deutsche Bank AG hereby respectfully requests that the Securities and Exchange Commission (the "Commission") determine that for good cause shown it is
not necessary under the circumstances that Deutsche Bank AG be considered an “ineligible issuer” under Rule 405.

BACKGROUND

On November 11, 2010, three employees of Deutsche Bank AG’s Hong Kong Branch (“DB HK”) unwound a large index arbitrage position held by DB HK and DSK relating to stocks in the Korea Composite Stock Price Index 200 (the “KOSPI 200”) in the final ten minutes of trading. During that time, the KOSPI 200 fell by approximately 2.7%.

After an investigation by the Korean Financial Supervisory Service, on August 19, 2011, the Seoul Central District Public Prosecutors’ Office issued an indictment (the “Indictment”) for market manipulation against the three DB HK employees, one DSK employee and DSK. The Indictment alleged that the DB HK employees had traded synthetic futures and put options to establish a position that would benefit significantly if the KOSPI 200 fell, and then sold shares of stock composing the KOSPI 200 for the purpose of causing the index to fall. The Indictment alleged that the DSK employee had assisted in carrying out the plan. DSK was alleged to be vicariously liable for the DSK employee’s conduct under Article 448 of FSCMA. Article 448 of FSCMA imposes vicarious liability on a corporation for an employee’s conduct unless it is established that the corporation was not negligent.

On January 25, 2016, the Seoul Court announced the Conviction, and shortly thereafter released a written decision (the “Decision”) explaining its reasoning. The Seoul Court found DSK criminally liable and sentenced it to a criminal fine of KRW 1.5 billion (approximately $1.26 million). In the Decision, the Seoul Court noted that Deutsche Bank AG and DSK had general policies designed to prevent market manipulation. However, the Seoul Court found that DSK had negligently failed to supervise the employee’s trading and to prevent the manipulation from occurring. In addition, the Seoul Court ordered forfeiture of approximately KRW 44.88 billion (approximately $37.6 million) by Deutsche Bank AG and DSK, an amount that appears to be satisfied by Deutsche Bank AG and DSK’s previous voluntary disgorgement of the proceeds of the trade.

DISCUSSION

A well-known seasoned issuer (“WKSI”) is a category of issuer created under Rule 405 that is eligible for significant securities offering reforms adopted by the Commission in 2005 that have changed the way corporate finance transactions for larger issuers are planned, brought to market and executed. At the same time, the Commission created another category of issuer under Rule 405, the “ineligible issuer.” Rule 405

deems an issuer ineligible when, among other things, “[w]ithin the past three years, the issuer or any entity that at the time was a subsidiary of the issuer was convicted of any felony or misdemeanor described in paragraphs (i) through (iv) of section 15(b)(4)(B) of the Securities Exchange Act of 1934.” An ineligible issuer is excluded from the category of “well-known seasoned issuer” and is thus prohibited from taking advantage of the significant securities offering reforms referred to above.

We understand that the Staff believes that the Conviction would make Deutsche Bank AG, absent a determination by the Commission to the contrary, an ineligible issuer under Rule 405 for a period of three years. This result would preclude Deutsche Bank AG from qualifying as a WKSI and having the benefits of automatic shelf registration and other provisions of the securities offering reforms referred to above for three years.

Securities Act Rule 405 authorizes the Commission to determine, “upon a showing of good cause, that it is not necessary under the circumstances that the issuer be considered an ineligible issuer.”

**REASONS FOR GRANTING A WAIVER**

Under the facts and circumstances of this action and considering the conduct involved as described in the Decision, Deutsche Bank AG respectfully submits that according ineligible issuer status to Deutsche Bank AG is not necessary for the public interest or the protection of investors. In making this request, Deutsche Bank AG has carefully considered the policy statement on the framework for well-known seasoned issuer waivers and, as discussed in more detail below, believes that the granting of the waiver request would be consistent with the policy statement.

**Responsibility for and Duration of the Violations**

The violations related to the manipulation of the KOSPI 200 index by three employees of DB HK and one employee of DSK. None of the conduct underlying the Conviction (the “Conduct”) pertains to activities undertaken by Deutsche Bank AG in connection with Deutsche Bank AG’s role as an issuer of securities (or any disclosure related thereto). No conduct in respect of Deutsche Bank AG’s disclosures is implicated.

The Decision did not state that the directors or senior managers of Deutsche Bank AG engaged in any deliberate misconduct or were aware of violative conduct or ignored any warning signs or “red flags” regarding the Conduct. There was no conclusion that anyone beyond the four involved employees was aware of, or instructed, any manipulation of the KOSPI 200 index. None of the persons responsible for the violations were officers or directors of Deutsche Bank AG and none of them were responsible for, or had any influence over, Deutsche Bank AG’s disclosure. The Seoul Court did not find

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2 Division of Corporate Finance “Revised Statement on Well-Known Seasoned Issuer Waivers,” April 24, 2014.
that Deutsche Bank AG’s disclosure controls and procedures or filings with the Commission during this time period were deficient.

The Conduct was limited in duration to a single episode of trading activity on the afternoon of November 11, 2010. In addition, the Conviction was based on a finding that DSK was vicariously liable because of its merely negligent supervision of its employee, which would not typically result in criminal prosecution in the United States.

As the wrongdoing identified was the product of misconduct committed by employees of DB HK and DSK, none of whom was responsible for the disclosure of Deutsche Bank AG, Deutsche Bank AG believes that such misconduct does not call into question the reliability of Deutsche Bank AG’s current and future disclosure and that designation as an ineligible issuer is not required for the protection of existing and potential investors in Deutsche Bank AG’s securities.

Remedial Steps

In response to the Conduct, Deutsche Bank AG has taken a variety of steps to remedy the misconduct and ensure that it does not recur.

First, the three DB HK employees have been terminated for cause; and the DSK employee was placed on administrative leave pending the outcome of the trial, and was terminated on the date of the Conviction. DB HK and DSK have voluntarily disgorged all of the profits earned from trades connected with the Conduct (approximately KRW 44.88 billion) to South Korean authorities.

Second, Deutsche Bank AG has enhanced its policies, procedures and internal controls, and implemented additional compliance measures, as part of its effort to ensure compliance with applicable laws in South Korea, Hong Kong, and elsewhere. In April 2011, Deutsche Bank AG’s Compliance Department updated Deutsche Bank Group’s Market Conduct Policy to include a section focusing on pre-trade controls. Among other limitations, the policy requires orders routed to the market to meet minimum standards for volume limits, price checks, short sale order marking, restricted list checks, and prohibited order types. Orders are reviewed separately by the relevant business head, Compliance, and Market Risk Management to ensure that they meet these standards. In some circumstances, based on (among other things) the size of the trade and an analysis of the expected market impact, Compliance also determines whether to alert the relative exchange of the intended trade.

In May 2011, the management of Deutsche Bank AG’s Global Markets Equity (“GME”) unit communicated an advisory note to its staff globally, reminding staff of issues related to exchange trading in a security at or near times of particular price sensitivity, as addressed by the revised Market Conduct Policy. In June 2011, DB HK’s Compliance Department conducted a training session on the advisory note. Since then, issues related to trading at or near times of particular price sensitivity have remained part
of Deutsche Bank AG’s Market Conduct Policy and associated training modules for new and existing employees.

Deutsche Bank AG has also updated its systems and controls. Simultaneously with the roll-out of the Market Conduct Policy in April 2011, Deutsche Bank AG updated its IT systems to prevent the type of conduct underlying the Conviction from occurring. Deutsche Bank AG has also enhanced its ability to detect similar conduct by improving its Market Risk Management Futures & Options expiry and rebalance reporting. Specifically, Deutsche Bank AG has introduced a new, holistic reporting framework for expiries, which includes a report showing all upcoming expiries (sorted by date) across all books.

Furthermore, Deutsche Bank AG has devoted significant additional resources to compliance. It has added additional compliance personnel in Hong Kong and established a Hong Kong Risk Operating Committee. Deutsche Bank AG has enhanced the supervision and governance in GME globally by adding more senior compliance personnel at GME, some of whom were transferred from other parts of Deutsche Bank AG’s business and some of whom were new hires. The Head of DSK Compliance reports to Deutsche Bank AG’s Regional Head of Compliance located in Hong Kong. Deutsche Bank AG has also developed new training for relevant employees throughout its structure, including market conduct training that addresses (among other things) issues related to trading at or near times of particular price sensitivity.

Finally, governance at DSK has been strengthened by adding its own Chief Operating Officer ("COO") in addition to the country COO in DB Seoul Branch, the bank entity. The COO and the current CEO and board of directors of DSK are tasked with overseeing and supervising all of the businesses in DSK. The CEO of DSK reports to Deutsche Bank AG’s CEO of Asia-Pacific. Index arbitrage trading was suspended in DSK after the incident and remains suspended. It will not be allowed to restart unless the CEO, COO and the board members of DSK deem that there are appropriate governance and controls. With much of the proprietary trading suspended in DSK, most of the enhancements and remedial steps have taken place in DB Hong Kong where the primary trading activities related to the index arbitrage trading in question took place, to prevent similar future incidents. If and when index arbitrage trading resumes at DSK, it will be subject to enhanced controls comparable to those being implemented at DB HK.³

³ While the Court in its decision indicated that statements were made by officers and employees of DSK that DSK had not taken certain remedial actions, it appears based on the underlying record that the Court was relying upon statements made in April 2011. Since that time, the remedial measures mentioned above were implemented on a regional basis, along with the closure of index arbitrage trading in DSK and the strengthening of governance in DSK.
Prior Requests

As the staff is aware, Deutsche Bank AG has previously requested waivers regarding its WKSI status from the Division of Corporation Finance in connection with settlements involving other of its subsidiaries. Waivers have previously been granted concerning (a) Deutsche Bank Trust Company Americas’ settlement in connection with certain practices relating to auction-rate securities on January 9, 2007; (b) Deutsche Bank Securities Inc.’s settlement in connection with it allegedly misleading its customers about the fundamental nature and increasing risks associated with auction-rate securities that it underwrote, marketed and sold on June 16, 2009; and (c) DB Group Services (UK) Limited’s guilty plea in connection with the attempted manipulation of the certain interest rate benchmarks from 2003 through 2010, on May 1, 2015.

The conduct that was the subject of the previous waiver requests, and for which certain remediation steps were implemented, is unrelated to the conduct which is the subject of this waiver request. Because these matters did not involve DB HK or DSK and are unrelated to the conduct which is the subject of this waiver request, the remedial steps taken in response to the conduct at issue in these prior matters are not implicated by the conduct at issue here. The conduct at issue here in no way suggests that Deutsche Bank AG affiliates did not adequately implement remedial steps in other, earlier settlements involving other businesses and other products. All of these facts concerning Deutsche Bank AG’s remedial efforts support the grant of the requested waiver.

Impact on Issuer

Determining to maintain ineligible issuer status for Deutsche Bank AG would, in effect, impose a sanction that would go beyond the sentence imposed by the Seoul Court, and would be disproportionately severe given the nature of the Conduct, the lack of any nexus to Deutsche Bank AG’s public disclosures, and the duration of time that has passed since the relevant events.

As the Staff is aware, Deutsche Bank AG is a frequent issuer of securities that are registered with the Commission and offered and sold under its shelf registration statements on Form F-3 (the “WKSI shelf”). Deutsche Bank AG most recently filed its WKSI shelf on July 31, 2015. Deutsche Bank AG has issued a variety of securities that are registered under the WKSI shelf, including ordinary shares and subscription rights therefor, unsecured senior and subordinated debt securities, capital securities and warrants. Since January 1, 2014, Deutsche Bank AG has issued off the WKSI shelf approximately $9.5 billion of securities qualifying as regulatory capital (ordinary shares, capital securities and subordinated debt securities) and more than $20.0 billion in other securities (mainly senior debt securities). In that period, Deutsche Bank AG conducted over 600 offerings from its WKSI shelf, and utilized approximately 900 free writing prospectuses (“FWPs”). Approximately 10% of these FWPs consisted of marketing materials that could not have been used by an ineligible issuer. The remainder consisted of term sheets and similar documents that would likely have been able to be used by an
ineligible issuer, but in some cases only after modifications. Moreover, most of this remainder pertained to notes distributed through third-party distributors, who may wish to have latitude to use FWPs that only eligible issuers may use, and therefore may choose to restrict their distributions to securities of eligible issuers issued off of WKSI shelves.

As an ineligible issuer, Deutsche Bank AG would lose significant flexibility, most importantly the ability to register additional types of securities not covered by the WKSI shelf, by filing a new registration statement, filing a new registration statement to replace the WKSI shelf upon its expiration or filing a post-effective amendment, in each case on an automatically effective basis. The adverse market and issuer impact of the potential loss of flexibility with respect to new types of securities is particularly important to Deutsche Bank AG in light of regulatory and market conditions and uncertainties that are significantly transforming the landscape for financial institutions like Deutsche Bank AG.

In response to the global financial crisis and the European sovereign debt crisis, governments, regulatory authorities and others have made and continue to make proposals to reform the regulatory framework for the financial services industry to enhance its resilience against future crises. Legislation has already been enacted and regulations issued in response to many of these proposals. The wide range of new laws and regulations or current proposals includes, among other things, provisions for more stringent regulatory capital and liquidity standards, stress testing and capital planning regimes and heightened reporting requirements. In addition, over the next few years, certain international bodies, such as the Financial Stability Board, are expected to recommend or impose further capital, liquidity or similar requirements on institutions such as Deutsche Bank AG (e.g., “total loss absorbing capacity,” or TLAC), the outlines and impacts of which are not fully known.

Finally, European Union law, set forth in a legislative package referred to as “CRR/CRD 4,” contains, among other things, detailed rules on bank regulatory capital, increased capital requirements and additional capital buffers (which will increase from year to year), as well as tightened liquidity standards and a leverage ratio not based upon risk-weightings. CRR/CRD 4 became effective on January 1, 2014, with some provisions being gradually phased in through 2019. The results of the law and similar regulations can further dictate additional capital needs. Although qualifying regulatory capital currently generally consists of common equity, preferred equity and certain subordinated debt, given all of the recent and potential future changes to Deutsche Bank AG’s capital, liquidity and similar requirements, it is likely that capital raising efforts going forward will involve the issuance of new types of securities. As an example, in November 2014, Deutsche Bank AG filed a post-effective amendment to its WKSI shelf to issue $1.5 billion of capital securities which qualified as Additional Tier 1 capital and contained provisions to comply with then-new requirements under German and European Union law. Implementation of a buffer requirement and uncertainty as to its design, as well as the other potential capital needs described above, could impose additional needs on Deutsche Bank AG to access the capital markets, including through the use of securities with characteristics that are not yet known and therefore are difficult to
anticipate in a shelf registration statement. “File and launch” for the public offering of new securities has developed as the market standard for large issuers since the advent of the Commission’s securities offering reform in 2005. By the time Deutsche Bank AG may be able to enter the market if it were an ineligible issuer (i.e., after it files an amendment to its non-WKSI shelf registration statement subject to staff review and approval), market conditions may have changed, so that there may not be the same level of demand or pricing terms may have become disadvantageous.

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In sum, Deutsche Bank AG respectfully submits that, based on the factors set forth in the framework, the loss to Deutsche Bank AG of certainty and flexibility if it were to become an ineligible issuer would be a disproportionate hardship in light of the nature of the Conduct which is the subject of the Conviction. More importantly, because the Conduct at issue in this matter in no way relates to Deutsche Bank AG’s ability to produce reliable disclosures, including in its role as an issuer of securities, granting a waiver in this instance is consistent with the public interest and the protection of investors. We respectfully request that the Commission make that determination.

Please do not hesitate to contact me at (212) 373-3124 if you should have any questions regarding this request.

Sincerely yours,

David S. Huntington

cc: Steven F. Reich
General Counsel – Americas
Deutsche Bank AG